

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC NIACT IMMEDIATE 403

C O N F I D E N T I A L GEORGETOWN 1795

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN, GY

SUBJECT: REYNOLDS NATIONALIZATION AND BAUXITE LEVY

REF: GEORGETOWN 1791

1. I PHONED PM BURNHAM AT 1440 TO INFORM HIM THAT DEPT HAD ADVISED ME AS OF OCTOBER 4 THAT IT STILL HAD UNDER STUDY HIS REQUEST FOR NOTE VERBALE COVERING POINTS CONVEYED TO HIM SEPTEMBER 28 UNDER INSTRUCTIONS. HE EXPRESSED SURPRISE THAT "SUCH WELL-ORGANIZED OUT-FIT AS STATE DEPT. NEEDED SO LONG TO DECIDE SUCH SIMPLE MATTER". I OFFERED NO COMMENT.
2. ALLUDING TO MY CONVERSATION OCTOBER 6 WITH LUCKHOO, I SAID I HAD THIS MORNING REVIEWED MY REPORT OF SEPTEMBER 28 MEETING WITH PM AND COULD ASSURE HIM THAT HIS SUGGESTION REGARDING PAYMENT OF BAUXITE LEVY VIA OFFSET TO COMPENSATION HAD BEEN CONVEYED TO WASHINGTON. BURNHAM MERELY REMARKED THAT HE HAD ADVANCED THE SUGGESTION IN SPIRIT OF TRYING TO BE HELPFUL TO REYNOLDS, BUT THAT GOG CONTINUES TO HOLD TAX AND NATIONALIZATION ARE TOTALLY SEPARATE ISSUES.
3. I SAID I ASSUMED PM WAS AWARE OF MY CONVERSATION OCT. 4 WITH MINMINES JACK AND OF THE PERSONAL SUGGESTION I HAD MADE REGARDING ARRANGEMENTS TO ALLOW CONTINUITY OF OPERATIONS. HE SAID HE WAS AWARE OF THIS.
4. BURNHAM ASKED IF I WAS AWARE OF ACTION TAKEN BY GOG TODAY. I SAID NO. HE SAID ORDER HAS BEEN ISSUED PROHIBITING EXPORT OF CAL-CONFIDENTIAL

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CINED AND CHEMICAL GRADE BAUXITE, SINCE GOG CANNOT ALLOW ANY

EXPORTS TO BE CONSUMMATED AS LONG AS TAX IS UNPAID. I SAID I HAD BEEN INFORMED THAT TWO SHIPS LOADED WITH CHEMICAL AND CALCINED WERE BEING HELD AT EVERTON PENDING CUSTOMS CLEARANCE.

5. BURNHW SAID HE HAD CLIPPING OF N.Y. TIMES ARTICLE IN WHICH REYNOLDS OFFICIAL IS QUOTED AS SAYING COMPANY WILL NOT PAY TAX EVEN IF IT LOSES DECISION IN COURT TEST. BURNHAM SAID THIS IS EQUIV-
ALENT TO "HEADS I WIN, TAILS YOU LOSE."

6. BURNHAM THANKED ME FOR CALLING AND SAID HE DIDNT ENVY MY POSITION. I SAID I RECIPROCATED HIS SENTIMENT; HE BROKE INTO HEARTY LAUGH AND SAID "TOUCHE". I SAID WE SEEMED TO BE IN SAME BOAT; "YES, AND IT'S ABOUT TO GO UNDER," HE REJOINED. WE CLOSED WITH AGREEMENT ON ESSENTIALITY OF KEEPING SENSE OF HUMOR.

7. LUCKHOO IS AGAIN IN NEW AMSTERDAM UNTIL LATE AFTERNOON. HIS OFFICE CONFIRMS ISSUANCE OF ORDER PROHIBITING EXPORT,AS DOES OFFICIAL OF MINISTRY OF ENERGY AND NATURAL RESOURCES. LATTER PROMISED COPY AS SOON AS AVAILABLE FROM GOVT PRINTING OFFICE. WILL CABLE SUMMARY WHEN AVAILABLE.

8. COMMENT. I HAVE REVIEWED CAREFULLY TEXT OF N.Y. TIMES ARTICLE OCTOBER 3 AS REPORTED IN STATE 218138 AND FAIL TO FIND STATEMENT ON NON-PAYMENT OF TAX CITED BY BURNHAM, UNLESS IT CAN BE IMPLIED FROM LEAD SENTENCE RE "ABANDONMENT" OF GUYANA OPERATION. SIMILARLY, IN REYNOLDS PRESS RELEASE AND BACKGROUNDER, ONLY STATEMENT WHICH COULD BEINTERPRETED IN THIS WAY IS IN THIRD PARAGRAPH OF RELEASE WHERE TAX IS CALLED "EXPROPRIATORY." CAN DEPT. CLARIFY?
KREBS

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